

North Carolina National Bank
P.O.Box 1171
Durham, NC 27702
Telephone 919 | 682-0341

NCNB

9776-A
REGISTRATION NO. 9776-A FILE 1479

2-319A054

NOV 15 1982 - 10 25 AM

INTERSTATE COMMERCE COMMISSION

No.

Date NOV 15 1982

Fee \$ 10.00

ICC Washington, D. C.

November 9, 1982

Interstate Commerce Commission
12th & Constitution NW
Washington, D. C. 20423

Dear Ms. Lee,

This letter is notification that the debt of James C. Petrea
has been fully paid and we no longer need a security interest
in the railroad cars.

I am enclosing a check for \$10.00 for the termination fee.

Thank you for your assistance in this matter.

Sincerely,

Winifred D. Norton
Winifred D. Norton
Collateral Custodian

STATE OF NORTH CAROLINA

COUNTY OF PERSON

Sworn and subscribed to before
me this the 9 day of November, 1982.

Robert L. Ruffield
Notary Public

My commission expires 8-11-85.

RECEIVED
NOV 15 10 18 AM '82
I.C.C.
FEE OPERATION BR.

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

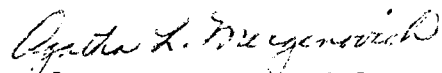
November 15, 1982

Winifred D. Norton
Collateral Custodian
North Carolina National Bank
P. O. Box 1171
Durham, N. C. 27702

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/15/82 at 10:25AM , and assigned re-
recording number(s). 9776-1.

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

North Carolina National Bank
P.O.Box 1171
Durham, NC 27702
Telephone 919 | 682-0341



November 1, 1982

Interstate Commerce Commission
Washington, D. C. 20423

Gentlemen:

This letter is notification that the debt of James C. Petrea has been fully paid and we no longer need a security interest in the railroad cars.

If additional documentation is required, please mail me the proper forms.

Sincerely,

A handwritten signature in cursive script that reads "Winifred D. Norton".

Winifred D. Norton
Collateral Custodian

THIS IS TO CERTIFY THAT THIS IS A TRUE COPY OF THE SECURITY AGREEMENT DATED
AUGUST 8, 1978 SIGNED BY JAMES C. PETREA.

SECURITY AGREEMENT

Dare P. Johnston
Dare P. Johnston, Asst. V.P.

THIS SECURITY AGREEMENT, made and entered into as of this

8th day of August, 1978, by and between

James C. Petrea, herein called

"Debtor", and NORTH CAROLINA NATIONAL BANK, a national INCORPORATION NO. 9778
association (herein called "Secured Party");

OCT 16 1978 10 59 PM
INTERSTATE COMMERCE COMMISSION

W I T N E S S E T H:

WHEREAS, the Secured Party and the Debtor have entered into
a Loan Agreement of even date herewith (herein called the "Loan
Agreement"), pursuant to which the Secured Party has loaned the
Debtor the sum of \$105,000.00, which loan is evidenced
by the Note of Debtor of even date herewith in the original principal
amount of \$105,000.00 (herein called the "Note"); and

WHEREAS, the Debtor has agreed to secure all indebtedness
arising under the Loan Agreement and evidenced by the Note and any
other indebtedness of Debtor to the Secured Party by railway cars owned
by Debtor, which railway cars were purchased by Debtor with the proceeds
of a loan by the Secured Party to the Debtor;

NOW, THEREFORE, in consideration of the loan by Secured Party to
Debtor of \$105,000.00 and the covenants, promises and
conditions contained herein, it is agreed as follows:

SECTION 1. Grant of Security Interest. In order to secure the
payment of the principal of and interest on the Note according to



NORTH CAROLINA NATIONAL BANK
DURHAM, N. C.
BY R. Bang Johnson
Vice

its tenor and effect, and to secure the payment of all other indebtedness of Debtor to Secured Party, now existing or hereafter arising, and the performance and observance of all other covenants and conditions in the Loan Agreement, the Note and this Security Agreement contained, Debtor does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors and assigns, a security interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

Section 1.1. Equipment Collateral. Collateral includes the equipment described in Schedule A attached hereto and made a part hereof (hereinafter referred to collectively as the "Equipment" and individually as "Item of Equipment").

Section 1.2. Other Collateral. Collateral also includes all rights of Debtor arising under that certain Management Agreement dated as of August, 1978 between Key Railways Inc. and Debtor (herein called the "Management Agreement") and the Agreement dated as of _____ between ~~Debtor and~~ _____ providing for the lease of the Equipment (herein called the "Lease") and all service charges (as defined in the Lease) and other sums due to and to become due thereunder including any and all extensions or renewals thereof insofar as the same cover or relate to the Equipment; it being the intent and purpose thereof that the assignment and transfer to the Secured Party of said service charges and other sums due and to become due

under the Lease shall be effective and operative at such time as Secured Party shall give written notice to Rest Railways, Inc. to make such payments to Secured Party and shall continue in full force and effect thereafter until Rest Railways, Inc. shall have been notified in writing by the Secured Party to begin making such payments to Debtor and the Secured Party shall have the right to collect and receive said service charges and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

Section 1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject only to (a) the lien of current taxes and assessments, if any, not in default, or, if delinquent, the validity of which is being contested in good faith, and (b) the rights of Sermon Railway and Rest Railway, Inc. under the Lease and Management Agreement, respectively.

Section 1.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms, and conditions, covenants and agreements herein and in the Loan Agreement and Note contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

SECTION 2. Covenants and Warranties. The Debtor covenants, warrants and agrees as follows:

Section 2.1. Debtor's Duties. The Debtor covenants and agrees, well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in this Security Agreement, the Loan Agreement and Note, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as through each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein.

Section 2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; Debtor is the owner of the Equipment, free and clear of all liens and encumbrances; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only the right, title and interest of the Lessee under the Lease).

Section 2.3. Further Assurances. The Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the

service charges and other sums due and to become due under the Lease

the Debtor covenants and agrees that it will notify Port Railways
Inc. and _____

of the assignment of its rights under the Management Contract and of the assignment of the Lease and direct the Lessee to make all payments of such service charges and other sums due and to become due under the Lease directly to the Secured Party or as the Secured Party may direct upon receipt of written instructions to that effect from the Secured Party.

Section 2.4. Mark Equipment. The Debtor will cause each unit of Equipment to be kept numbered with the identifying number set out in Schedule A and will cause each such unit to be plainly, distinctly, permanently and conspicuously marked with the words, Permont
Railway, or other appropriate words with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the security interest of the Secured Party to the Equipment and its rights under this Agreement. Debtor will not permit any unit of Equipment to be placed in operation or exercise any control or dominion over any such unit unless each side of such unit of Equipment shall have been so marked and will replace promptly any such marking or renew any such marking, which may be removed, defaced or destroyed. Debtor will not permit the identifying numbers of any such units to be changed except in accordance with a statement of new numbers to be substituted therefor, which statement previously shall have been filed with Secured Party by Debtor and promptly filed, recorded or deposited in all public offices where this Agreement shall have been filed, recorded or deposited.

Section 2.5. Casualty. In the event that any Unit of Equipment shall be or become worn out, lost, stolen, destroyed or irreparably damaged from any cause whatsoever during the continuance of this Agreement, the Debtor shall replace the Unit of Equipment at its own cost or cause the Unit of Equipment to be replaced with other operable standard gauge rolling stock equal in value to the depreciated value and of substantially as good material and construction as that worn out, lost, stolen, destroyed or irreparably damaged, and shall give the Secured Party or its assignee an opinion of counsel to the effect that this Agreement constitutes a first lien on such replacement Unit of Equipment, and shall execute, deliver and file and record such further document as may be reasonably requested by the Secured Party or its assignee in support of such opinion, or Debtor shall promptly pay to the Secured Party a sum equal to 3% of the balance due under the Note, together with interest accrued thereon to date of such payment at the rate set forth in the Note, in which event all succeeding payments under the Note shall be correspondingly reduced.

Section 2.6. Maintenance. The Debtor will at all times cause the Equipment to be maintained in good order and repair and to that end will ensure that Shermont Railway performs all of its obligations under Paragraph 7 of the Lease with respect to repair and maintenance of the Equipment.

Section 2.7. Insurance. The Debtor will cause _____ to provide the insurance on the Equipment as described in Paragraph 18 of the Lease and to name the Secured Party as mortgagee on any policy covering occurrences described in Section 2.5 which are insured against, and Debtor shall furnish Secured Party with copies of such insurance policies and pay all premiums which may become due with respect to such policies.

Section 2.8. Compliance. The Debtor will comply, and will cause any lessee of the Equipment to comply, in all respects with all laws of the jurisdictions in which the Equipment may be operated, with all laws of the jurisdictions in which the Equipment may be operated, with all standards recommended by the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment to the extent that such laws and rules affect the operation or use of the Equipment. In the event that such laws or rules require the alteration of the Equipment or any part thereof, the Debtor will conform therewith, at its expense, and will maintain the same in proper condition for operation under such laws and rules; provided, however, that Debtor may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Secured Party, adversely affect the property or rights of the Secured Party hereunder.

Section 2.9. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements thereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of each supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

Section 2.10. Modifications of the Lease or Management Agreement. Debtor will not:

(a) declare a default or exercise any of its remedies under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification, surrender or termination of, the Lease or Management Agreement (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof; or

(b) receive or collect or permit the receipt or collection of any service charges or rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

Section 2.11. Power of Attorney in respect of the Lease.

Debtor does hereby irrevocably constitute and appoint the Secured Party, its true and lawful attorney with full power of substitution for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all service charges, income and other sums which are assigned under Section 1.1 and Section 1.2 hereof with full power

to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such service charges and other sums and the security intended to be afforded hereby.

SECTION 2. Possession and Use of Property.

Section 3.1. Possession of Collateral. While the Debtor is not in default hereunder he shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

SECTION 4. Application of Assigned Service Charges and Certain Other Moneys Received by the Secured Party.

Section 4.1. Application of Service Charges. *As more fully set forth in Section 1.2 hereof the Debtor has hereby granted to the Secured Party a security interest in service charges, rents, issues, profits, income and other sums due and to become due under the Lease in

respect of the Equipment as security for the Note. So long as no event of default as defined in Section 5 hereof has occurred and is continuing the amounts from time to time received by the Secured Party which constitute payment of service charges payable with respect to the Equipment under the Lease shall be applied first, to the payment of the installments of interest only or principal and interest on the Note which have matured or will mature on or before the due date of the installments of service charges payable with respect to the Equipment which are received by the Secured Party, and then the balance, if any, of such amounts shall promptly be paid to or upon the order of the Debtor.

Section 4.2. Default. If an event of default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. Defaults and Other Provisions.

Section 5.1. Events of Default. The term "event of default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, the Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment, by acceleration or otherwise, and any such default shall continue unremedied for three (3) calendar days; or

(b) An event of default as set forth in the Loan Agreement; or

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by it under this Security Agreement and such default shall continue unremedied for thirty (30) calendar days; or

(d) Any representation or warranty made herein or in the Loan Agreement or the Note or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Loan Agreement, the Lease or the Note, or the transactions contemplated thereby shall prove to be false or misleading in any material respect; or

(e) Any claim, lien or charge (other than the Lease and liens, charges and encumbrances which the Lessee is obligated to discharge under the Lease) shall be asserted against or levied or imposed upon the Equipment, and such claim, lien or charge shall not be discharged or removed within thirty (30) calendar days after the written notice from the Secured Party or the holder of any note to the Debtor and the Lessee demanding the discharge or removal thereof.

Section 5.2. Secured Party's Rights. Debtor agrees that when any "event of default" as defined in Section 5.1 hereof has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code as from time to time in effect in the State of North Carolina (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party may, by notice in writing to the Debtor, declare the entire unpaid balance of the Note to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable.

(b) The Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process or law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold.

(c) The Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten (10) days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Note, or of any interest therein, may bid and become the purchaser at any such sale;

(d) The Secured Party may proceed to protect and enforce this Security Agreement, the Loan Agreement, and the Note by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or, subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper legal or equitable remedy available under applicable law;

(e) The Secured Party may proceed to exercise all rights, privileges, and remedies of the Debtor under the Lease or the Management Agreement, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also, in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Note including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

Section 5.4. Waiver of Debtor. The Debtor covenants that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation of appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision

herein contained, or to the decree, judgement or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

Section 5.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns.

Section 5.6. Application of Sale Proceeds. The purchase money proceeds and avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied in the following order:

First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Note, and of all taxes assessments or liens superior to the lien or these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

Second, to the payment to the holder or holders of the Note of the amount then owing or unpaid on the Note for interest;

Third, to the payment to the holder or holders of the Note of the amount then owing or unpaid on the Note for principal;

Fourth, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

Section 5.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Note shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

Section 5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of the Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether

such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waiver or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of the Note be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. Miscellaneous.

Section 6.1. Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

Section 6.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

Section 6.3. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered, postage prepaid, addressed as follows:

If to the Debtor:

C/O Wright Machinery
1600 Mist Lake Dr.
Durham, N.C. 27704

If to the Secured Party: North Carolina National Bank
Post Office Box 1171
Durham, North Carolina 27702

or as to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

Section 6.4. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

Section 6.5. Obligations of Debtor. The assignment made hereby of the Lease and Management Agreement is an assignment as collateral security, and the execution and delivery hereof shall not in any way impair or diminish the obligation of Debtor under the Lease and the Management Agreement nor shall any of the obligations contained in the Lease and Management Agreement be imposed upon the Secured Party as the result of the execution of this Security Agreement.

Section 6.6. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together , only one Security Agreement.

Section 6.7. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

Section 6.8. Governing Law. This Security Agreement and the Note shall be construed in accordance with and governed by the laws of the State of North Carolina; provided, however, that the Secured Party shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

Section 6.9. Effective Date. This Security Agreement is dated as of August 8, 1978 for convenience of identification and has been executed by the Debtor on the date shown in the acknowledgement attached hereto, but is delivered by the Debtor to the Secured Party and becomes effective on the date of purchase of the Equipment by the Debtor and the advancement of funds by the Secured Party for the Equipment.

IN WITNESS WHEREOF, the Debtor and Secured Party have caused this Security Agreement to be executed, all as of the day and year first above written.

WITNESS;

Fredrick H. Loundrum James A. Peter

ATTEST:

NORTH CAROLINA NATIONAL BANK

Warr P. To Luston
Assistant Secretary

By: Z. C. Hopkins
Vice President

STATE OF NORTH CAROLINA

COUNTY OF DURHAM Person

This 8th day of August, 1978, personally came before me, Violet L. Whitfield, a Notary Public in and for said County and State, James C. Petrea, who, being by me duly sworn, says that signature affixed to the foregoing instrument was signed and sealed by him. And the said James C. Petrea acknowledged the said writing to be the act and deed of said James C. Petrea.
WITNESS my hand and notarial seal.

Violet L. Whitfield
Notary Public

My commission expires: 8-11-80.

STATE OF NORTH CAROLINA

COUNTY OF DURHAM Person

This 8th day of August, 1978, personally came before me, Violet L. Whitfield, a Notary Public in and for said County and State, Z. C. Hopkins who, being by me duly sworn, says that he is a Vice President of NORTH CAROLINA NATIONAL BANK, and that the seal affixed to the foregoing instrument in writing is the corporate seal of said Association, and that said writing was signed and sealed by him in behalf of said Association by its authority duly given. And the said Warr P. To Luston acknowledged the

said writing to be the act and deed of said Association.

WITNESS my hand and notarial seal.

Walter L. Whitfield
Notary Public

My commission expires: 8-11-80

**SCHEDULE A TO
SECURITY AGREEMENT**

VTR 11102

VTR 11103

VTR 11104

VTR 11105